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# ORIGINAL

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November 7, 2002

NOV - 8 2002

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Marlene Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: Ex Parte Notice in CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

This letter is to provide notice in the above-captioned proceedings of an ex parte meeting on November 7, 2002 by Perry Kamel, Executive Vice President, Strategy and Marketing, Siemens Information and Communications Network and Mark Esherick, Director of Government Relations, Siemens Corporation with Matthew Brill, Senior Legal Advisor to Commissioner Kathleen Abernathy and Daniel Gonzalez, Senior Legal Advisor to Commissioner Kevin Martin. The purpose of the meeting was to discuss the attached presentation, which is being filed in the dockets listed above.

Siemens made two major points during the meetings. In order to accelerate the return to innovation, growth and prosperity, to the benefit of end-users, the industry and the overall economy, policies must address the root economic challenges and causes of the current circumstances by enabling accelerated migration to new, converged broadband network infrastructures that are optimized for the new environment. Federal and state regulations should encourage investment in such critically needed facilities.

Pursuant to Section 1.1206 of the FCC's rules, this notice and the meeting presentation are being filed for inclusion in the public record of each of these proceedings. If you have any questions, please contact me.

Sincerely,



Mark Esherick  
Director of Government Affairs

Attachments

CC: Robert Blau  
Edward B. Dinan  
Michael Zaneis

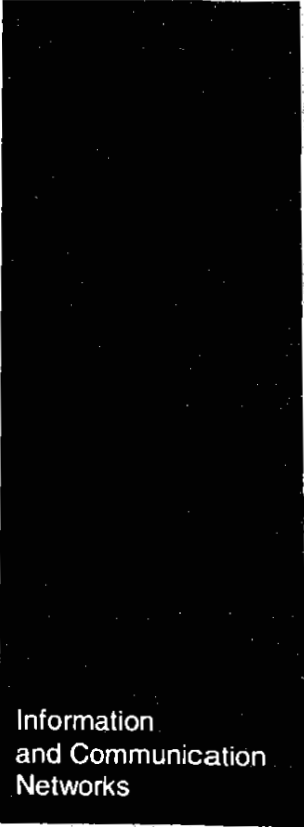
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Information  
and Communication  
Networks

# **Transforming Telecom** ***(The Case for Convergence)***



***Perry Kamel***  
***Executive Vice President, Marketing***  
***Siemens ICN U.S.***



## Getting From Here to There

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- **Why is the telecom industry in turmoil?**



*Root causes & consequences*

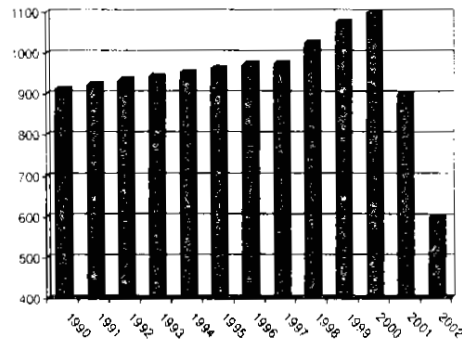
- **What will it take to get it back on track?**



*Why “True” convergence is imperative*

# The U.S. Telecom Industry is Facing Extraordinary Challenges

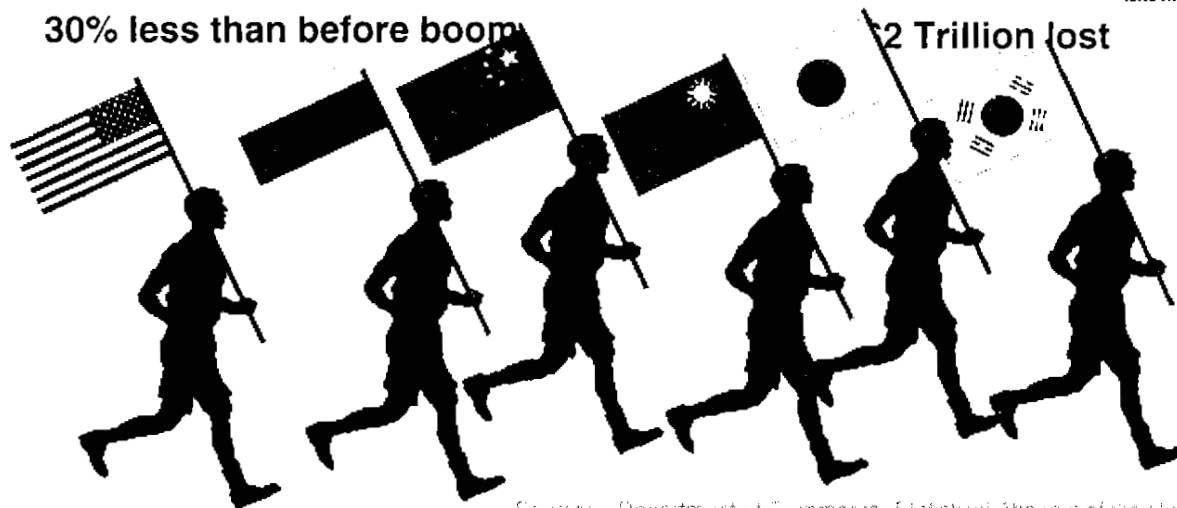
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30% less than before boom



\$2 Trillion lost



Sources: Department of Commerce, Statistical Abstract of the United States, September 1998 and 2002 Update; LightReading, May 2002; Stockpoint, Inc.

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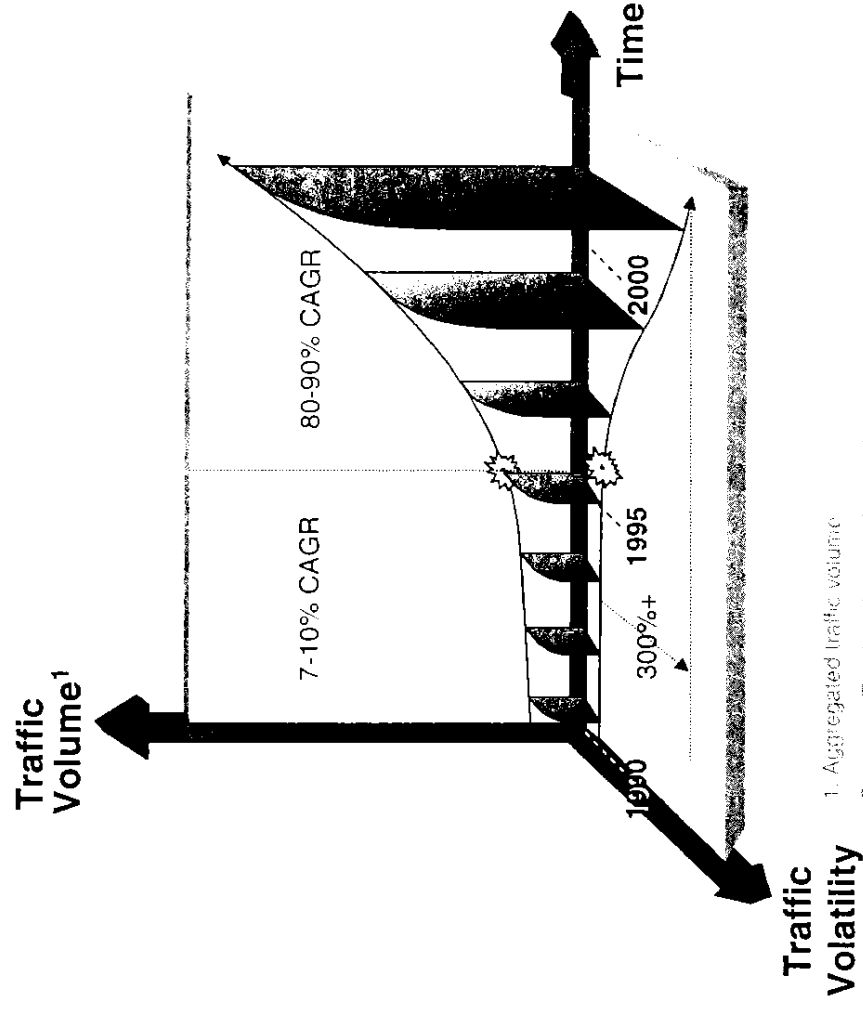
**Many Theories ... "Survey Says":**

*(Weighted Responses By Industry Analysts & Telecom Professionals)*

- # 1: Lack of Revenue Growth – (4)**
- # 2: Carrier Capex Constraints – (8)**
- # 3: Regulatory Obstacles – (14)**
- # 4: Diminishing Returns on Carrier Capex – (14)**
- # 5: Second Line Substitution w/ Cable & Wireless – (20)**
- # 6: Diminished Carrier Resources (e.g., Employees) – (21)**
- # 7: Economic Recession (Reduced End-User Spending) – (23)**
- # 8: Falling LD Rates w/ Increased Volumes – (27)**
- # 9: PSTN Bypass Stranding Investments – (28)**
- #10: Big Email Attachments w/ No Related Revenue – (29)**



## Boiling Things Down to the Root Causes...

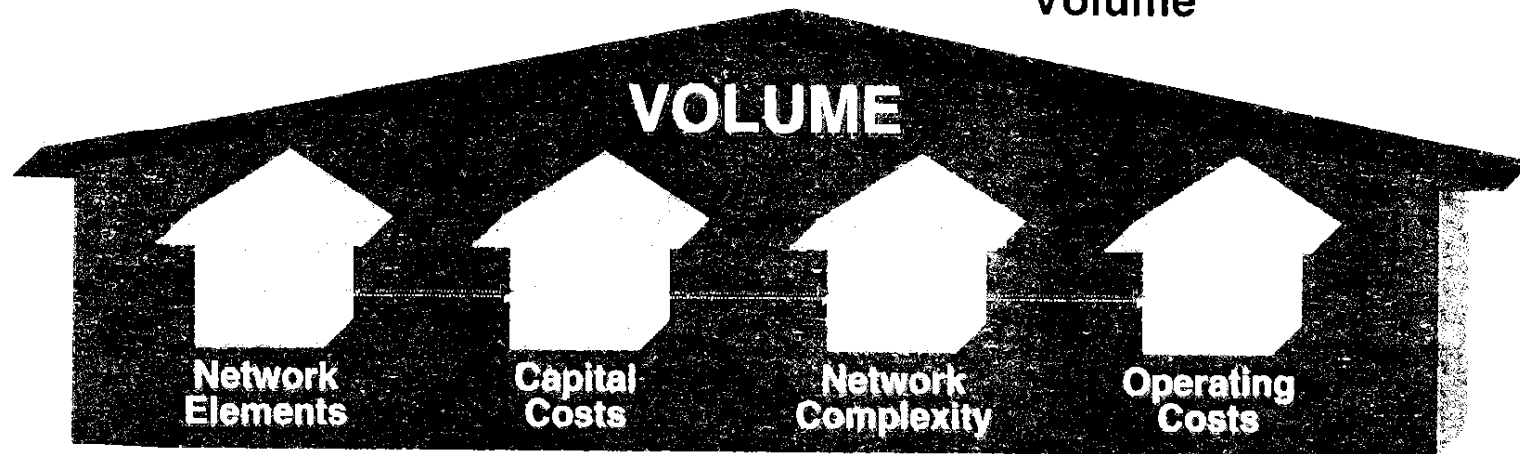
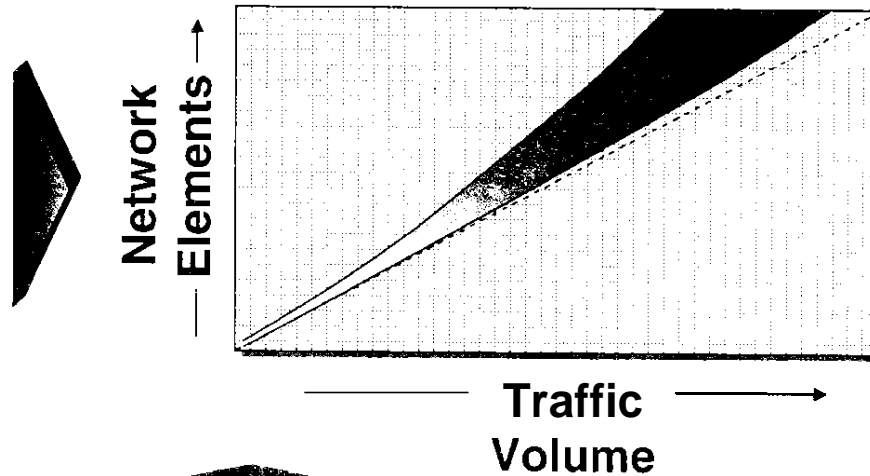


1. Aggregated traffic volume

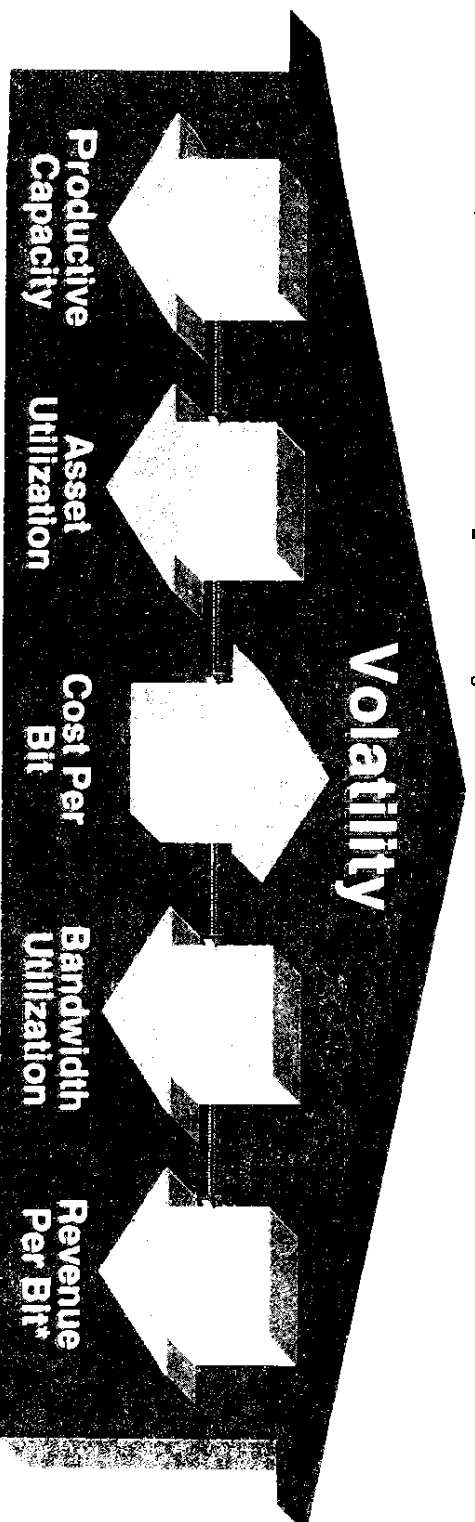
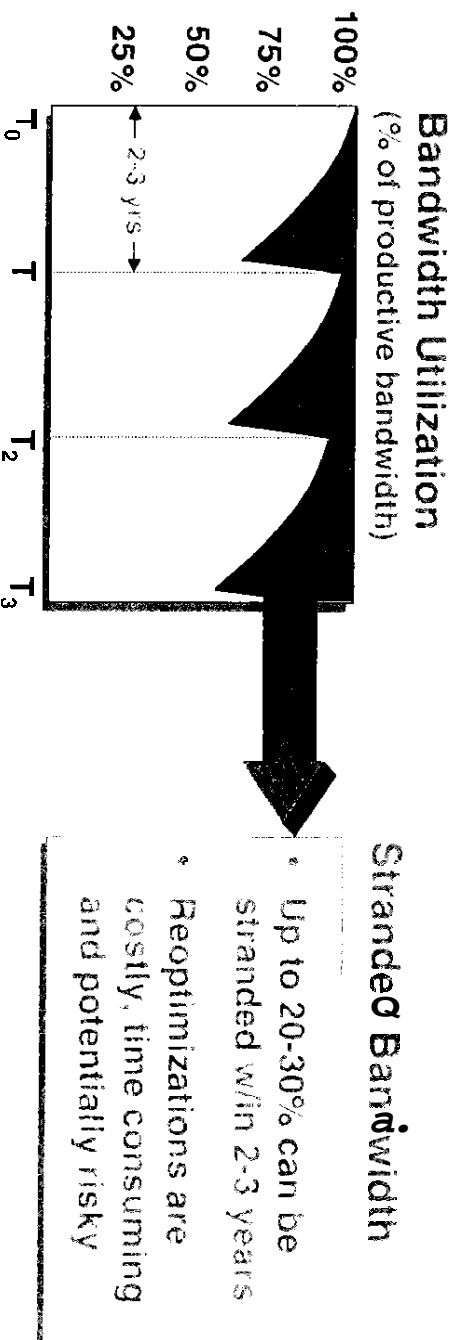
Source: Traffic volume estimates based on multiple industry sources; volatility estimates based on customer interviews and network studies in North America and Europe

## The Scalability Challenge:

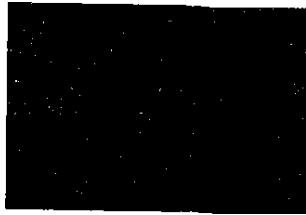
Traditional approaches weren't designed for rapid traffic growth



## The Volatility Challenge:

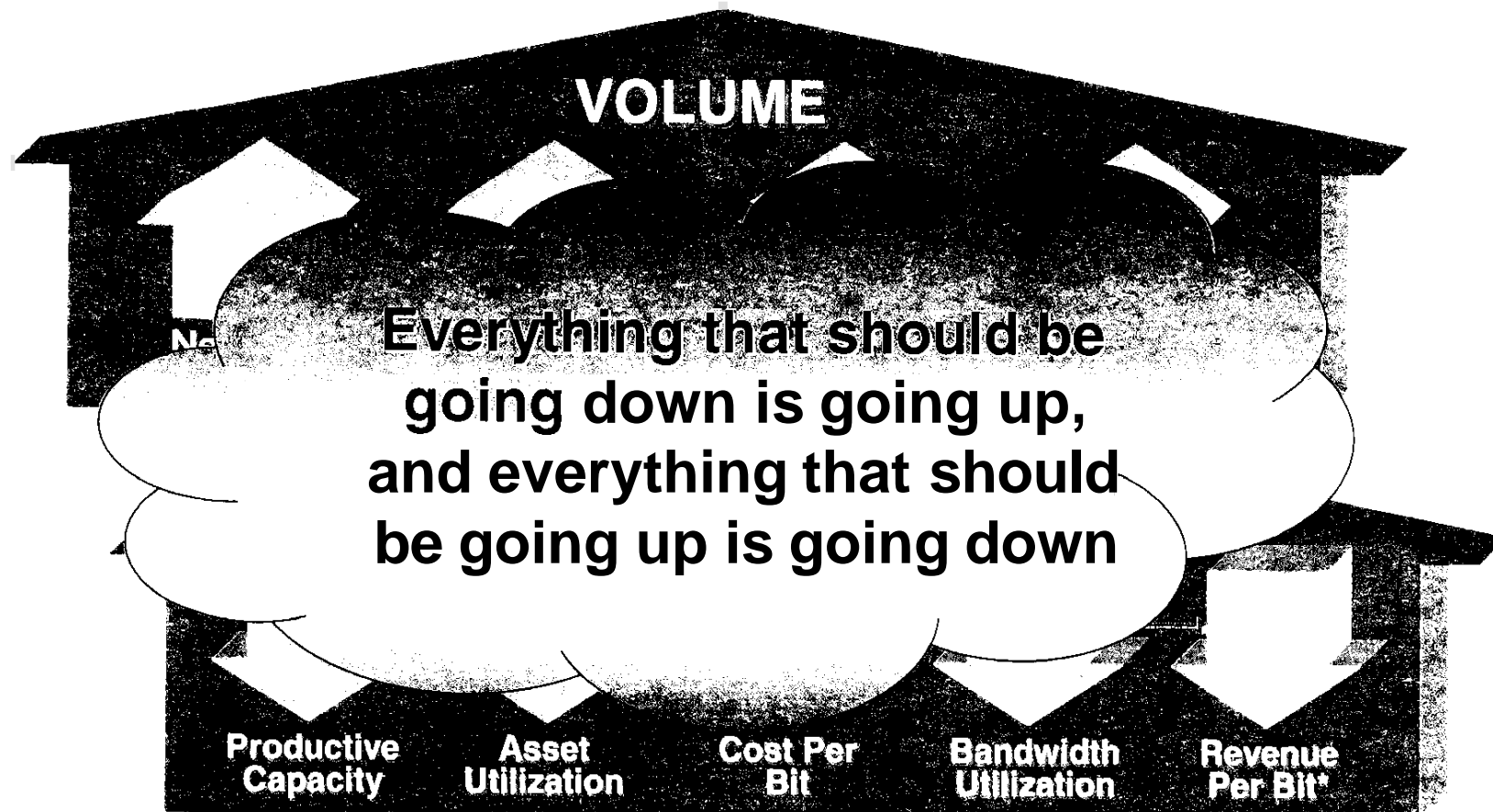






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## Compounded Economic Challenge



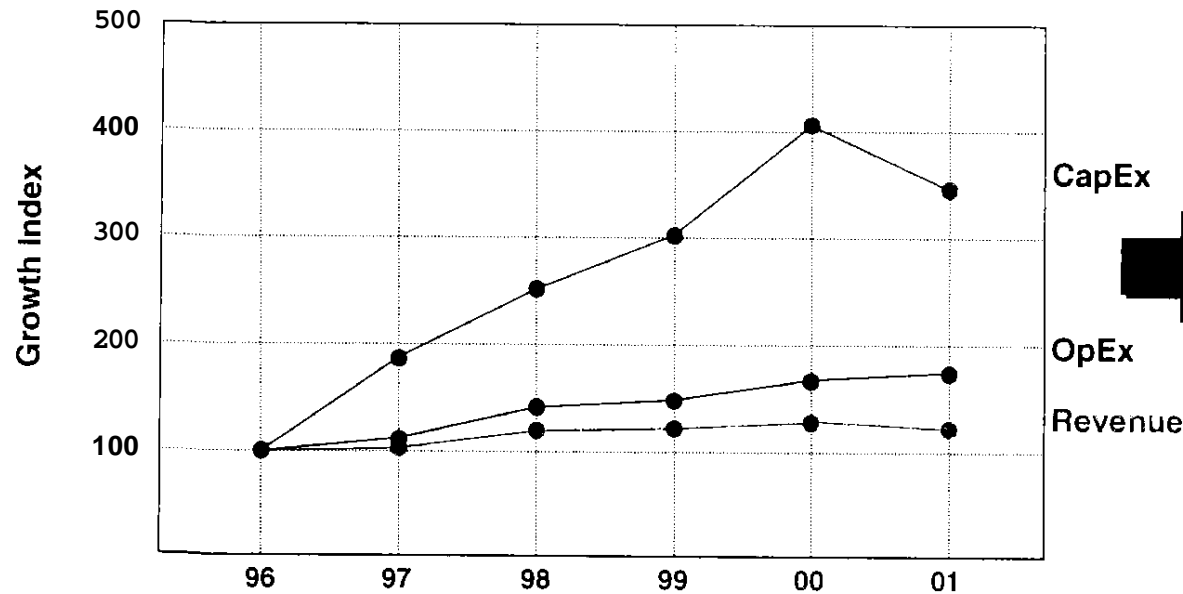
\*Revenue per bit deployed



## Real-World Consequences

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**Indexed Growth of Key Financial Metrics**  
(Top U.S. Facilities-Based Carriers)



CapEx

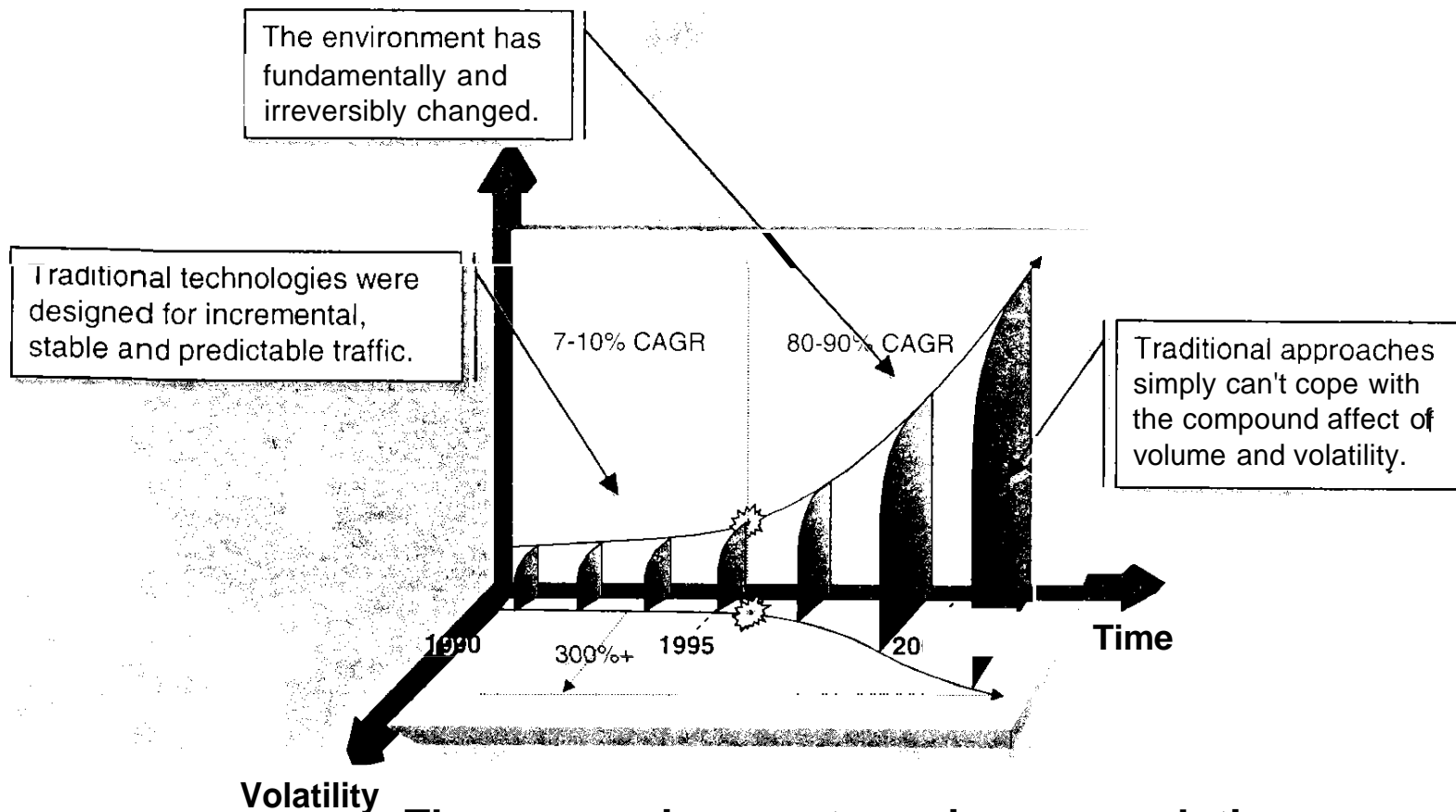
OpEx

Revenue

Scaling  
inappropriate  
technologies  
turned business  
models upside-  
down

\* Facilities based IXC used in this example – similar characteristics observed for top ILECs  
Source: Jeffries & Company, Inc. Equity Research (04/02), Merrill Lynch (11/01),  
corporate financial reports; Siemens Strategic Marketing Alliance Team

## Text-Book Paradigm Shift



**The new environment requires new solutions.  
Convergence is an economic imperative.**



## Getting From Here to There

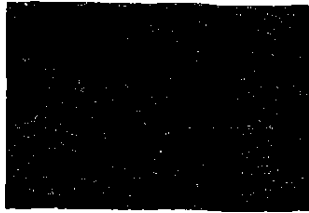
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- **Why is the telecom industry in turmoil?**

- *Root causes & consequences*

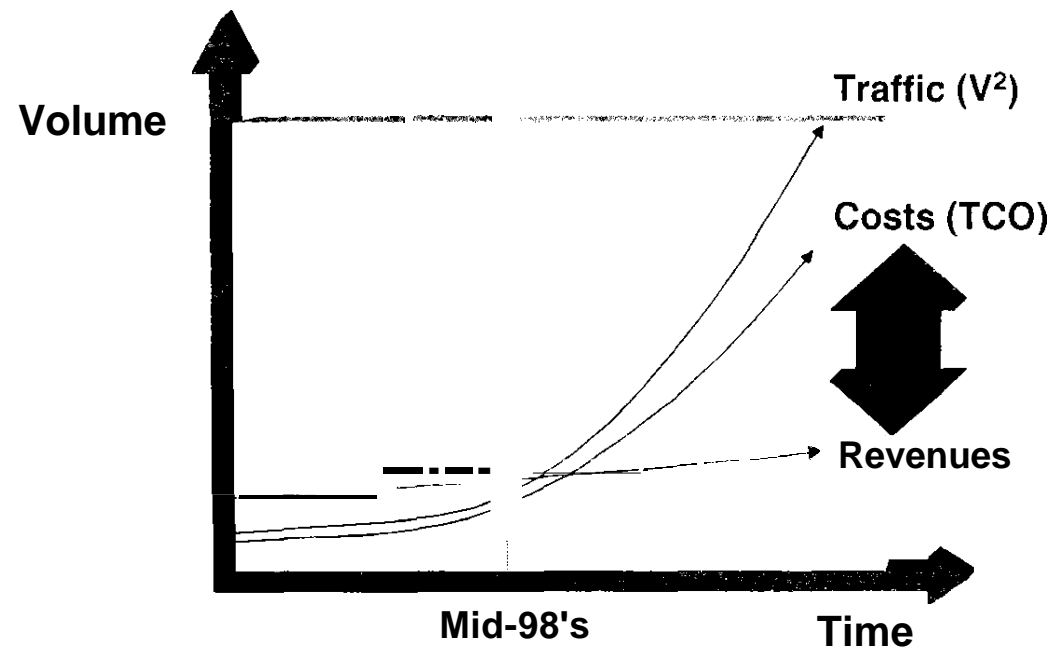
- **What will it take to get it back on track?**

- *Why “True” convergence is imperative*



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## The Profitability Gap





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## Closing the Profitability Gap

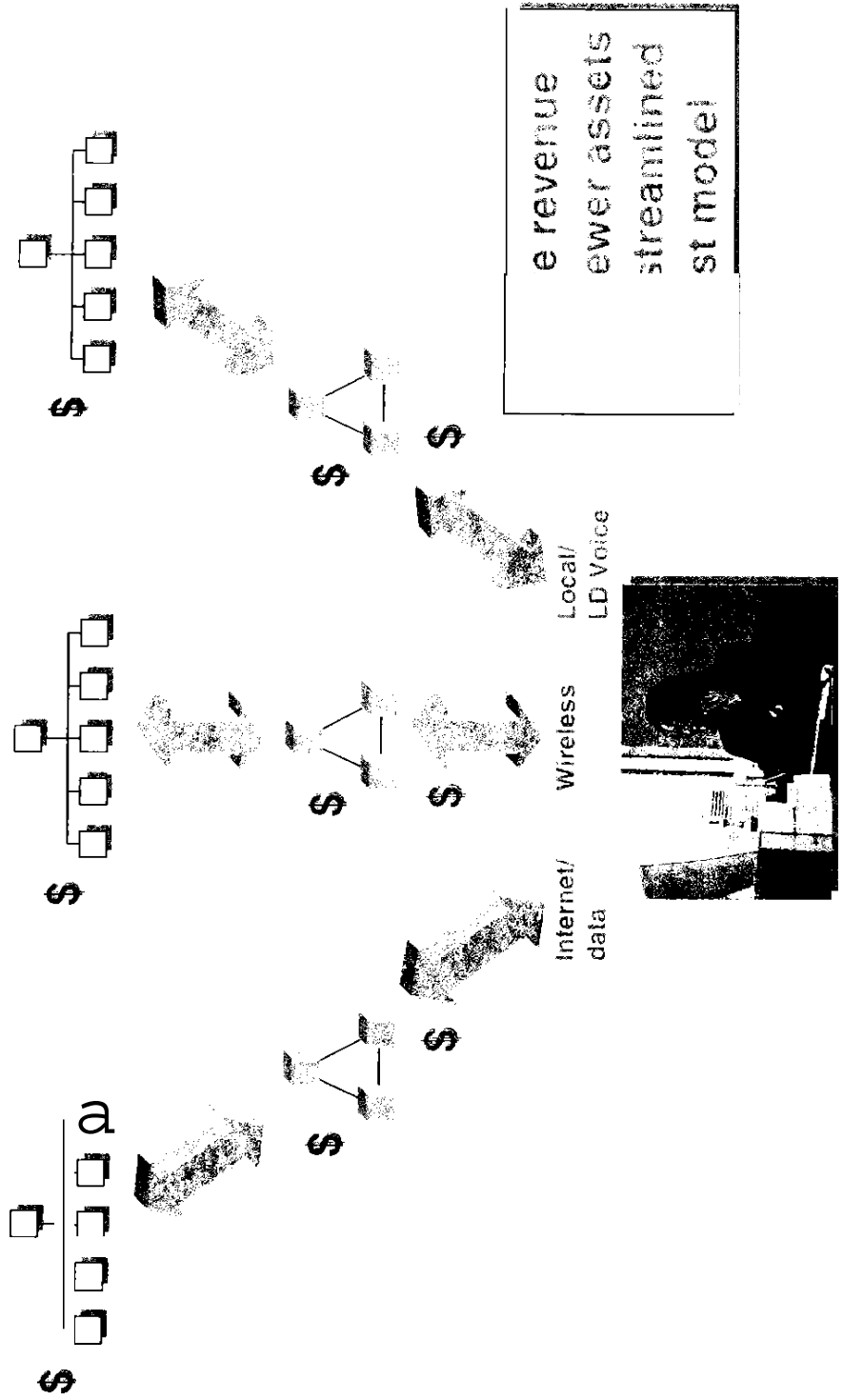


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# Controlling Costs: Achieving 'Toll-Free' Convergence is Critical

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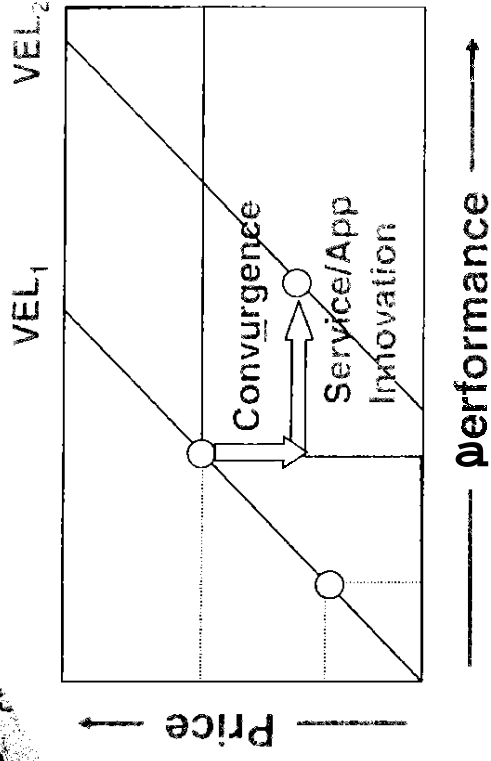
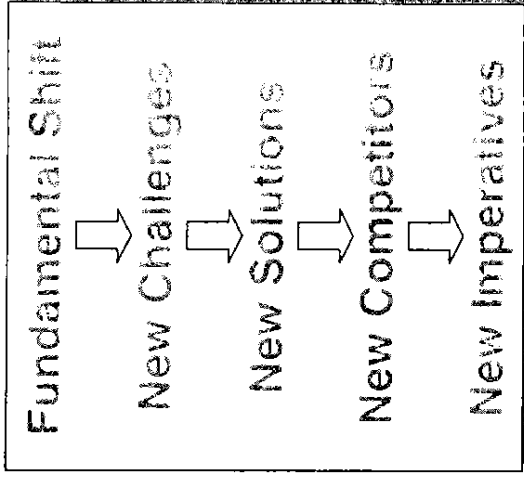
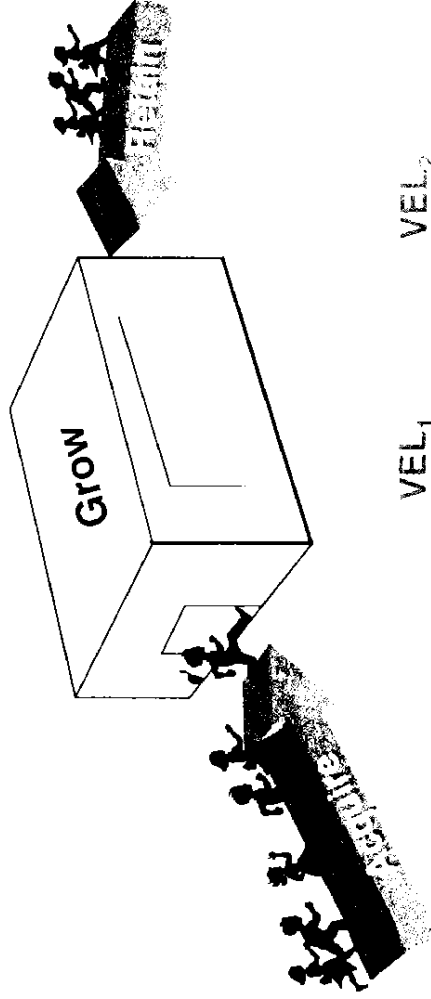
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Networks



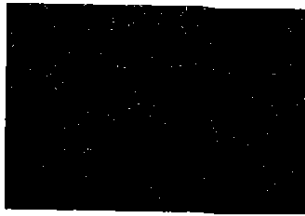
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**Growing Revenue = Cost Reduction + Innovation**



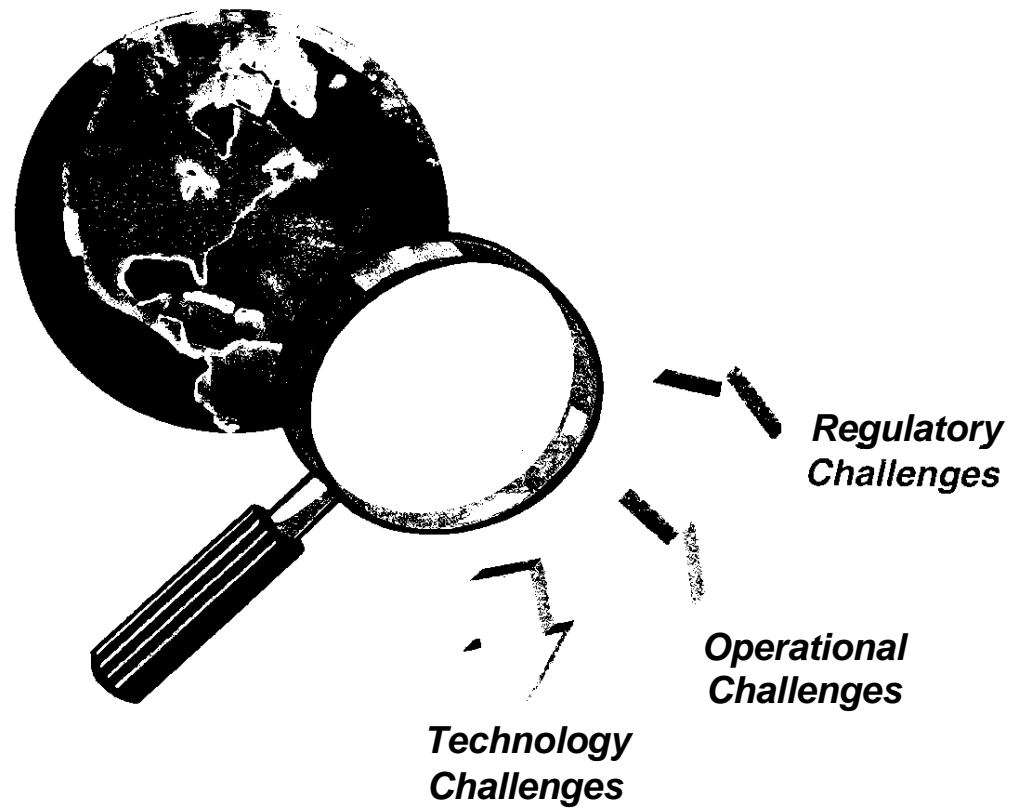
A decision not to migrate is a decision not to compete





## Getting There Requires a Comprehensive and Balanced Approach

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Information and Communication Networks

**In order to accelerate return to innovation, growth and prosperity, to the benefit of end-users, the industry and the overall economy.. .**

- Policies must address the root economic challenges and causes of our current circumstances by enabling accelerated migration to new, converged broadband network infrastructures that are optimized for the new environment.
  - Current federal and state unbundling and pricing rules impede investment in critically needed new convergent infrastructures
  - Swift action to eliminate regulatory uncertainty should be a top FCC priority *to* enable decisive action by key industry participants
- Policies should focus on enabling true competition with an emphasis on accelerating the deployment of advanced communications facilities.